



County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI
Chief Executive Officer

November 24, 2015

To: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi Hamai
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Jim Jones for", is written over the printed name "Sachi Hamai".

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

BOARD MOTION OF SEPTEMBER 8, 2015, ITEM 8 - COUNTYWIDE COMMUNITY CHOICE AGGREGATION (CCA) BI-MONTHLY REPORT #1

Background

On March 17, 2015, the Board instructed the County Office of Sustainability, in the Internal Services Department, to look into the feasibility of establishing a Community Choice Aggregation (CCA) Program in the County of Los Angeles, and report back on their findings. On June 24, 2015, the Director of ISD submitted a report-back to the March 17, 2015 Board motion. Subsequently, on September 8, 2015, your Board instructed the Chief Executive Officer and ISD to:

1. Utilize up to \$300,000 from the ISD's Fiscal Year (FY) 2015-2016 Final Changes Budget to hire a Community Choice Aggregation consultant through ISD's Energy Support Services Master Agreement (ESSMA), who shall conduct a preliminary technical analysis on the feasibility of establishing a CCA program for the County's unincorporated areas, with potential expansion to other local entities.
2. Submit a written report to the Board of Supervisors by February 1, 2016 that includes:
 - a. A preliminary technical analysis of the feasibility of establishing a CCA in the County's including the costs (start-up, short-term and long-term), benefits, and risks to the County.

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- b. An analysis of the financial viability of a local CCA and including an assessment of (i) energy supplies required for all customer classes (residential, commercial, industrial users) and (ii) the availability of sufficient green energy supplies.
 - c. A preliminary analysis that compares end-user monthly rates across rate classes and levels of green energy desired between a CCA and Southern California Edison, our local investor-owned utility.
 - d. Key decision points, next steps and issues that the Board of Supervisors must consider before making a decision to move forward with the formation of a Los Angeles County CCA, including options for financing start-up and initial operational costs, a proposed governance structure, potential green energy and rate tiers and planning, implementation and rollout timelines.
3. Delegate authority to the Chief Executive Officer or the Director of the Internal Services Department, or their respective designees, to execute agreements and documents, in standard forms pre-approved by the California Public Utility Commission and/or Southern California Edison, for the purposes of acquiring, utilizing, storing and protecting the confidentiality of energy consumption data needed to perform the CCA technical analyses.

Additionally, your board instructed the Chief Executive Officer and the Director of ISD to create, lead, and convene regular meetings of a new Community Choice Aggregation Implementation Workgroup comprised of County representatives, representatives from other jurisdictions that have shown interest in joining a County CCA program, representatives from organized labor, and other stakeholders, in order to:

- a. Assess the feasibility of other jurisdictions joining a County CCA program;
- b. Provide information and guidance to other jurisdictions on the potential timeline and necessary steps to join a County CCA.
- c. Determine if a County CCA can advance workforce training and hiring objectives that align with County goals.

Countywide CCA Report Status and Milestones

Using ISD Fiscal Year 2015-2016 funds, COS has selected a consultant team to conduct the technical analyses of a Countywide CCA. The consultant team is led by Bevilacqua, Knight Inc. (BKl) and includes Local Power Initiatives (LPI) whose staff authored the implementing CCA legislation (AB 117), EES Consulting and Community Choice Partners. The consultant team will develop a CCA Business Plan which will forecast CCA operating costs (including power procurement, debt, labor, and

Choice Partners. The consultant team will develop a CCA Business Plan which will forecast CCA operating costs (including power procurement, debt, labor, and administration) and revenues required to meet operating costs. Revenues will be collected through CCA rates, if those rates are projected equal to or lower than Southern California Edison's rates, then the CCA is financially viable.

COS has initiated a Countywide CCA Task Force and has invited cities within the County to participate in the Task Force through their respective Councils of Government (COGs). The Task Force conducted an initial meeting on October 29, 2015. The minutes of that meeting are attached and include a preliminary Countywide CCA implementation schedule. The schedule indicates that CCA formation may happen within a calendar year from the time that energy consumption data for cities and County unincorporated areas is made available from SCE to develop the Business Plan.

After several weeks of discussion with SCE regarding how data could be obtained by COS for the entire County, COS formally requested data for 82 cities and County unincorporated areas from SCE. The data request excluded jurisdictions that have a municipal electric utility and the City of Lancaster (who already operate a CCA). SCE has not indicated how long it will take to provide this data.

The initial Task Force meeting minutes include a discussion on issues highlighted in the Board's motion, including scope of the CCA Report under COS and the consultants, jurisdictions that attended the meeting, the key decision points for cities in joining a Countywide CCA, potential governance structures for a Countywide CCA, potential for multiple CCAs operating within the County and efforts to engage organized labor in the CCA development. The next Task Force meeting is scheduled for December 16, 2015.

If you have any questions, please contact Jim Jones of my staff at (213) 974-8355 or Dave Chittenden of ISD at (323) 267-2103 or via email dchittenden@isd.lacounty.gov.

SAH:DC
HWC:alc

Attachments

c: ISD Board Deputies
Chief Executive Officer
Executive Officer, Board of Supervisors
Countywide Sustainability Council Leadership Committee



Community Choice Aggregation Task Force

Meeting Notes

NUMBER:

CCA-LC 15-01

MEETING: **CCA TASK FORCE MEETING**

Chaired by Howard Choy, ISD

DATE: OCTOBER 29, 2015

TIME: 1:00 – 3:00 PM

LOCATION: 523 W 6TH ST, LOS ANGELES, CA 90019, PACIFIC CLUB ROOM

Dial-in Number: (712) 432-1212;

Meeting ID: 391-607-484

MEMBERS IN ATTENDANCE:

Steve Culbertson, BKi

Casey Connorton, BKi

Caitlin Sims, City of Beverly Hills

John Bingham, City of Calabasas

Joe Susca, City of Culver City

Dennis Burke, City of Long Beach Gas and Oil

Tony Foster, City of Long Beach Gas and Oil

Benjamin Lucha, City of Palmdale

Michael Mischel, City of Palmdale

Jim Knight, City of Rancho Palos Verdes

Christian Horvath, City of Redondo Beach

Angela Hacker, City of Santa Barbara

Dean Kubani, City of Santa Monica

Diana Mahmud, City of South Pasadena

Lindsey Horvath, City of West Hollywood

Matt Skolnik, County of Los Angeles, Fourth District

Howard Choy, County Office of Sustainability

Ana E. Rosales, County Office of Sustainability

John Phan, County Office of Sustainability

Walker Foley, Food and Water Watch

Kim Fuentes, SBCCOG

Marisa Creter, SGVCOG

Joe Galliani, South Bay Clean Power

Ken Smokoska, South Bay Clean Power

Tulsi Patel, WSCCOG

I. Introductions

The Task Force thanked Matt Skolnick for Supervisor Knabe's leadership on the Countywide CCA effort. In mid-September, the Board of Supervisors (Board) instructed the County CEO and Internal Services Department (ISD) to proceed with a feasibility assessment of creating a Countywide CCA program. ISD's County Office of Sustainability (COS) is leading this effort. The initial CCA Report findings are due back to the Board in mid-February 2016 and status reports are due to the Board every two months.

BKi is the primary consultant chosen for this effort; they lead a team comprised of EES Consulting (EES), Local Power Initiatives (LPI) and Community Choice Partners (CCP). EES is an economics and engineering firm that has 25 years of experience in utility business matters including cost of service studies, retail rate design, wholesale power procurement and market forecasting. They will perform the technical portion of the CCA Report. CCP will represent the County at the regulatory proceedings ongoing which impact current and future CCAs. COS plans to contract with a public agency financial consultant to provide independent, financing strategy development.

II. Presentation and South Bay Clean Power Introduction

The initial Task Force meeting presentation is attached.

Although Marin Clean Energy (MCE), Sonoma Clean Power (SCP), and Lancaster Choice Energy (LCE) have proven CCA feasible, and there are service providers offering turn-key operation CCA programs, the CCA Report is a critical political and public relations tool that will assist the Board and city executives and electeds in deciding whether to establish and join a Countywide CCA, multiple regional CCAs, or remain with Southern California Edison (SCE). The CCA Report will indicate to constituents that their elected officials conducted appropriate due diligence.

A consortium of cities within the South Bay Cities Council of Governments (SBCCOG) and the Westside Cities Council of Governments (WCCOG) have adopted resolutions supporting CCA; they are known as South Bay Clean Power (SBCP). SBCP's spokesperson, Joe Galliani, was provided time to describe their origins and their current, ongoing efforts in support of the County's CCA effort.

Through lessons learned by MCE and SCP, SBCP determined that it is critical to engage organized labor in the Countywide CCA effort. Thus SBCP has initiated discussions with the International Brotherhood of Electrical Workers (IBEW) and National Electrical Contractors Association (NECA) to bring their issues and concerns to this group. As an example, IBEW 1245, in conjunction with Pacific Gas and Electric (PG&E) raised significant issues about the role of organized labor and the use of renewable energy credits (recs) during the initiation of MCE's and the City/County of San Francisco's CCA programs.

SBCP has been working with IBEW Local 11 and NECA to participate in the design of a Countywide CCA. Ken Smokoska has been actively coordinating with the labor unions and their apprenticeship training facilities to develop a Labor Management Cooperation Committee (LMCC). The goal is to gain the labor unions support before launching a CCA.

III. Overview of Countywide CCA Report

BKi and EES will conduct a 20 year, Countywide CCA cost of service model; this is beyond what most CCAs have done in their initial studies. They will project the costs associated with start-up, procurement of power, and day-to-day operations of a Countywide CCA. Potential CCA financiers or investors will want to see long-term operations forecasts before committing funding to a CCA.

The consultant team advised that the recent CCA successes and positive revenues should be carefully considered given the recent/current, very favorable market conditions in California for both natural gas, the primary source of power supply in California, and for renewable energy. These favorable market conditions need to be examined against SCE's current portfolio of power contracts and an appropriate, long-term forecast of future power costs is necessary. Additionally, CCAs claim themselves as more efficient and having more streamlined operations than IOUs. An appropriate examination of the IOUs' overhead and administrative charges, and other operating differences (e.g., a CCA's lack of shareholder incentives and other rate of return obligations) will be carefully considered in the Countywide CCA Report.

COS will purchase 82 local jurisdiction energy consumption datasets from SCE for the CCA Report. The cities do not need to repay the County as the Department of Energy has allowed COS to use existing, uncommitted American Recovery and Reinvestment Act (ARRA) funds for CCA studies. Each dataset costs about \$850. The jurisdictions include 81 cities (those that don't have municipal electric utilities and the City of Lancaster) and unincorporated County areas.

Howard Choy recommended city representatives still fill out the SCE "Nondisclosure Agreement" and "Notice of Intent to Form a CCA" applications which are available on SCE's CCA website, <https://goo.gl/KsH9UI>. These documents should be executed and on file with SCE if a city wishes to create their own CCA. Although that is not a likely scenario for most, if not all cities, there is no harm in having these documents executed by the cities.

Upon the completion of the CCA Report, the key discussions and decisions for the County and the cities will be whether the Los Angeles County region should move forward with a single, Countywide CCA, or whether individual groups of cities (e.g., COGs) will create CCAs, or whether individual cities will create CCAs. The plusses and minuses of each option are generally discussed below.

COUNTYWIDE CCA OPTIONS

Consideration	Single CCA	Multiple CCAs
Start-up Costs	Base Case	Likely Higher
Initial Financing Costs	Base Case	Likely Higher
Operating Costs		
• Power procurement	Base Case	Likely Higher
• Financing	Base Case	Likely Higher
• Back office/Admin	Base Case	Likely Higher
Programs Design, Implementation	Base Case	Likely More Complex
Local Marketing/Outreach	Base Case	Likely More Effective

Local Rates	Base Case	Local Customization TBD
Local Project Development	Base Case	Likely More Effective
Local Workforce Development	Base Case	Likely More Effective
Customer Service	Base Case	TBD if More Effective
Long-Term Financing	Base Case	Likely Less Effective
Long-Term Resource Planning	Base Case	Likely Less Effective
Coordination with Regulatory Agencies	Base Case	Likely Less Effective

Many of these considerations will be evaluated in the CCA report. Costs for operations of multiple CCAs versus a single CCA will be part of the report. The group had a very robust discussion about the plusses and minuses of the various options.

IV. Financing Option

Since capital is required to support the start-up and ongoing operations of a CCA, the CCA Report will explore financing options and determine how to recover costs through rate design. It is estimated that the start-up cost for a Countywide CCA to be in the tens of millions and the costs to procure power to be in the hundreds of millions. The CCA Report and long term, operation plan will support the Countywide CCA in investigating and acquiring municipal financing.

The County plans on hiring a municipal financing consultant under its Master Agreement process. This consultant will maintain neutrality regarding the CCA Report by contracting directly with the County and not directly with the consultant team. They will lead the efforts, using the CCA Report and other market information, to assist in acquiring municipal or private capital for financing start-up and initial CCA operations.

Since CCA will create quality jobs, invest in local and renewable resources, integrate demand side management programs, BKi will model the direct and indirect impacts of local jobs and project creation under a Countywide CCA in the CCA Report.

Each CCA in California phased in their customers differently. For example, the City of Lancaster created a CCA to initially serve its municipal buildings. After LCE phased in the municipal buildings, it began phasing in commercial buildings and subsequently residential customers. The County is looking at this approach for the Countywide CCA. There are benefits, as Lancaster has experienced, in initiating CCA operations as quickly as possible and then phasing in additional customer bases.

CCA implementing legislation requires CCAs to notify their customers 60 days prior to launch and 60 days after launch of the CCA's operations. Both notifications must inform the customers that they can opt-out and return to the incumbent electric utility provider. LCE did an excellent job making its website user friendly and informative to accomplish this.

COS believes that nearly 90% of the initially-retained SCP and MCE customers may not have been completely aware of their CCAs' initial operations and procedures for opting out of the programs. MCE did not invest significantly into marketing whereas SCP did an extensive marketing campaign. SBCEP has enlisted the Sierra Club to be a marketing and outreach partner, on the behalf of the County. The County team challenged the Task Force to consider whether initial marketing and outreach will be critical to the success of CCA in the region.

V. Summary Milestone Schedule

BKi is responsible for the development of the draft CCA Report, a preliminary schedule is provided below. The key activity related to this schedule is receipt of consumption data from SCE as they have given no indication of how long it would take to deliver data for the 82 jurisdictions within the County. The County plans to purchase the data soon (follow up note: the County delivered a check and data request letter to SCE on November 10, 2015).

Los Angeles County Community Choice Aggregation Summary Milestone Schedule																		
Task Name	2015			2016												2017		
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Task Force Meetings	◆		◆		◆		◆		◆		◆		◆		◆		◆	
Order SCE Data																		
Feasibility Study																		
Feasibility Study Report																		
Pro-Forma Analysis																		
CCA Program Design/Implementation Plan																		
JPA Governing Documents																		
Implementation Plan/Statement of Intent																		
JPA Formation																		
Program Launch																		
Marketing and Outreach																		
Negotiate Financing/Line of Credit																		
CPUC Certification and Launch Date Set																		
Negotiate Power Contracts																		
Finalize Cost of Service and Rates																		
Initial Opt-Out Notices																		
Customer Enrollment/Final Opt-Out Notices																		
Service Begins																		

The schedule above is generous; it assumes that SCE is able to deliver the datasets within a timely manner.

As part of the CCA Report, COS and the consultant team will generate a CCA performance analysis, program design, implementation plan, and generate a preliminary Joint Power Authority (JPA) governing document. Once the Task Force decides on the governance structure, cities will have the opportunity to join the countywide CCA.

According to Howard Choy, it appears that SCE is taking a different approach towards CCA than PG&E. SCE is currently restructuring and has given indications it might work in a coordinated manner with a CCA regarding power procurement, retail rate design, demand side management program administration, and implementation of "preferred resources" in consideration of SCE's distribution grid needs and system load restrictions.

Howard Choy recommended regrouping this Task Force in December 2015 to share new information. He also offered his or BKI's presence at COG or other regional meetings regarding CCA.

The next CCA Task Force meeting has been confirmed for December **10th from 10:00 am to noon**. The location is:

**The Manhattan Beach Public Library
1320 Highland Ave.
Manhattan Beach, CA 90266**

This meeting will be available via webinar with details to follow.

VI. Question/Answer Discussions

The following questions were asked and responses discussed.

Joe Galliani – Will the feasibility study look at CCA turn-key operation programs as potential opportunities or will we exclusively follow the current, proposed path?

The CCA Report is necessary to preliminarily analyze the consumption data for the jurisdictions and develop load profiles under the distinct periods for which SCE charges different retail rates. The load profiles will be used to develop wholesale power procurement/development scenarios and estimates. EES will design retail rates to collect appropriate revenues to cover power procurement costs, operating/administration costs, debt obligations and other program costs. If the retail rates are projected as lower than SCE's retail rates, then CCA will be deemed viable for proceeding with next steps. Those include seeking short/mid-term start-up and operational financing, developing and determining appropriate governance structures (tied directly to the number and scale of CCAs in the County), and seeking CCA

operational teams and resources. This analysis will determine if a turn-key option going forward is viable.

Kim Fuentes – Will the CCA Report compare the advantages of having one CCA to multiple CCAs?

From a cost and cost recovery standpoint, the CCA Report is expected to show the advantages and disadvantages of different scales of CCA in the County, as discussed earlier. This Task Force will have further discussions on the pros and cons of the right scale for a CCA in the County.

Ben Lucha – Will the feasibility study look at a hybrid form of a SCPPA (Southern California Public Power Authority)?

The SCPPA is a viable model for supporting multiple CCAs in the County or the region. Under a SCPPA model, individual CCAs (or utilities in SCPPA's current business model) work together on larger scale operations (e.g., wholesale procurement, investment in power plants, financing, and long-term resource planning).

Kim Fuentes – Shouldn't the structure of the CCA be addressed before the CCA ordinance step?

These steps are viewed by COS and the consultant team as not sequential and can be examined in parallel.

Marisa Creter – Will the task force communicate updates of each region's efforts?

Yes, we can report out the various issues each city is facing regarding CCA. An excellent on-line resource is LEAN Energy's website: www.leanenergyus.org.

Ben Lucha – Will the County share data with the cities?

We will aggregate the data for the entire County for the feasibility study. Upon request, we will analyze the data for groups of cities, and perhaps, individual cities.

Dean Kubani – Will the CCA Report be based on a countywide CCA or multiple small CCAs?

The base scenario is a Countywide CCA including all cities since that data is readily available. With the support of the technical consultants, we can assess the differences in CCA operating costs under multiple, operating CCAs. MCE, SCP, LCE and other nascent CCAs across the state are starting to look at working together for some of their operations.

Matt Skolnik – Can we slice up the data according to a city or group of cities?

The base case is the entire County. Upon request, we will assess the scenarios for smaller CCAs such as a COG or other groups of cities like SBCP.

Joe Galliani – Will the County's unincorporated area stay together or are you going to slice them up to be part of regional CCAs?

That will be determined later.

Tony Foster – Is the capital investment considered in the CCA Report for procurement of power, building infrastructure, or building generation?

It could be for all. But likely initially, a new CCA will procure most, if not all, of its short term power needs. CCAs can investigate power generation and building infrastructure in later years.

Ben Lucha – Is it true that a city cannot join a CCA if it is not regionally connected?

No, for example MCE signed up the City of Richmond in Contra Costa County.

Dennis Burke – Explain SCE's role for billing.

SCE will collect from each customer as it currently does. SCE will collect a CCA customers payments on that same bill but through a new bill line item. SCE would send those revenues to an operating CCA. A CCA would pay SCE for those services.

Kim Fuentes – Is the County considering a CCA initial option to include its facilities?

Yes, we are gathering data for the County's municipal facilities in the unincorporated areas for potential, initial CCA operations. It is relatively easy to receive approval from the CPUC for a CCA that serves municipal facilities in unincorporated areas.

Matt Skolnik – Will you notify the residential customers that they are being phased in if you established a CCA using Lancaster's approach?

Residential customers will not be notified, if the first phase is for LA County unincorporated area municipal buildings only.

Ben Lucha – Are there rules for phasing in residential customers?

Yes, there some criteria for residential customers under CPUC regulations. We don't recall the specifics at this time.

Kim Fuentes - Will the CCA Report analyze the wholesale power market?

Yes. We believe that large-scale renewable energy suppliers are ready to develop renewable power sites in southern California to meet the potential CCA demand. As an additional consideration, both MCE and SCP offer a feed-in tariff to encourage development of greater amounts of power from customer rooftop/parking lot solar sites.

Joe Galliani – How soon did MCE and SCP pay back investment?

According to various reports, they were cash-flow positive after one year of operations.

Joe Galliani – Is there something we can do to expedite the delivery of the data?

No, it is difficult to convince SCE to expedite their processes. The Task Force can discuss whether SCE will respond more favorably to requests from elected officials.

Tony Foster – What type of data is it?

It is aggregated up to the individual tariff of each jurisdiction. It will be the load profile of each tariff in every period in which you get charged a different rate. Periods have different rates because power is priced differently in the market in different periods.

Joe Galliani – Who is in the consultant team?

EES Consulting is a small engineering and economics firm with 25 years of experience with the utilities, particularly municipal utilities. They will do the primary technical stuff. Community Choice Partners will be our representative in the regulatory proceedings around non-bypassable charges.

South Bay Clean Power is having a meeting at the Torrance Airport at 7:00 pm. This meeting will feature Howard Choy and representatives from IBEW and NECA. Members of the Task Force were invited.